

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

SURFCONTROL (CHINA) LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31 DECEMBER 2018

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SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2018

TABLE OF CONTENTS	PAGE
COMPANY INFORMATION	2
STRATEGIC REPORT	3
DIRECTORS' REPORT	4
INDEPENDENT AUDITORS' REPORT	7
PROFIT AND LOSS ACCOUNT	9
STATEMENT OF CHANGES IN EQUITY	10
BALANCE SHEET	11
NOTES TO THE FINANCIAL STATEMENTS	12

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

COMPANY INFORMATION

DIRECTORS

Lisa Burns
Ian Wilson
Matthew Santangelo

COMPANY NUMBER

3165006

REGISTERED OFFICE

420 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT
England

INDEPENDENT AUDITORS

PricewaterhouseCoopers,
Chartered Accountants and Statutory Auditors
1 Spencer Dock,
North Wall Quay,
Dublin 1,
Republic of Ireland.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

STRATEGIC REPORT
For the year ended 31 December 2018

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company is dormant with effect from 29 December 2017.

PROFIT AND DIVIDEND

During the period the Company made a profit of nil (2017: \$1,899k).

The Directors do not recommend the payment of a dividend (2017: Nil).

RISK AND UNCERTAINTY

The Company does not face significant risk or uncertainty as it is effectively an intermediate holding Company within the Forcepoint Group with limited external creditors. Technical and financial support would be provided by other members of the Group in the event of any major claim by a third party for defective software or infringement of patent rights.

FINANCIAL RISK MANAGEMENT

Due to the nature of its intercompany contracts the Company is not exposed to material financial risk.

Approved by the Directors on 06 September 2019

Signed on behalf of the Board by:


Ian Wilson
Director

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

DIRECTORS' REPORT
For the year ended 31 December 2018

The Directors present herewith their report and audited financial statements, prepared in accordance with Generally Accepted Accounting Practice in the United Kingdom for the financial year ended 31 December 2018.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Matthew Santangelo
Lisa Burns
Ian Wilson

DIRECTORS' INTERESTS IN SHARES AND SHARE BASED BENEFITS

None of the Directors who held office at the end of the financial period have had any interest in shares of the Company or options over the Company's shares.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Forcepoint LLC, an intermediate parent entity, paid insurance premiums on behalf of the Company in respect of Directors' and officers' liability. Such insurance contracts insure against certain liabilities (subject to specific exclusions) on behalf of those persons who are or have been Directors or officers of the Company.

IMPORTANT EVENTS SINCE YEAR END

There have been no significant events post year end.

SHARE CAPITAL

The issued share capital of the Company at 31 December 2018 was 2 ordinary shares of UK£1 each (31 December 2017: 2 ordinary shares of UK£1). Further details are given in note 9 to the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and the Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

APPOINTMENT OF AUDITORS

In accordance with Section 485 of the Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of PricewaterhouseCoopers, Chartered Accountants and Statutory Auditors as auditors of the Company.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

DIRECTORS' REPORT
For the year ended 31 December 2018

DIVIDEND

Discussed in the Strategic Report, see page 3.

FUTURE DEVELOPMENTS

Discussed in the Strategic Report, see page 3.

FINANCIAL RISK MANAGEMENT

Discussed in the Strategic Report, see page 3.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

DIRECTORS' REPORT
For the year ended 31 December 2018 (Continued)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT
AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Directors on 06 September 2019.

Signed on behalf of the Board by:

Ian Wilson

Ian Wilson
Director



Independent auditors' report to the members of SurfControl (China) Limited

Report on the audit of the financial statements

Opinion

In our opinion, SurfControl (China) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.



In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Garth Hynes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
9 September 2019

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2018

	<i>Note</i>	<i>Year ended 31 December 2018 US\$'000</i>	<i>Year ended December 2017 US\$'000</i>
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
General and administrative gain	5	-	126
Total gain		-	126
Operating profit		-	126
Exceptional gain	6	-	1,773
Profit on ordinary activities before taxation		-	1,899
Tax on profit on ordinary activities	7	-	-
Profit for the financial year		-	1,899

The Company has no gains or losses or movements in reserves for the year other than the results above.
The notes on pages 12 to 16 form part of these financial statements.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	<i>Called up Share capital</i> US\$'000	<i>Profit and loss account</i> US\$'000	<i>Total shareholders' funds</i> US\$'000
At 1 January 2017	-	(1,899)	(1,899)
Profit for the financial year 2017	-	1,899	1,899
At 31 December 2017	-	-	-
Profit for the financial year 2018	-	-	-
At 31 December 2018	-	-	-

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

BALANCE SHEET
as at 31 December 2018

ASSETS EMPLOYED	Note	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
FIXED ASSET			
Investments	8	-	-
CURRENT ASSETS			
Debtors		-	-
Cash at bank and in hand		-	-
CREDITORS: amounts falling due within one year		-	-
NET CURRENT ASSETS		-	-
TOTAL ASSETS LESS CURRENT LIABILITIES		-	-
CREDITORS: amounts falling due after more than one year		-	-
Total assets less net current liabilities		-	-
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Profit and loss account	10	-	-
Total Shareholders' funds		-	-

The notes on pages 12 to 16 form part of these financial statements.

Approved by the Directors on 06 September 2019

Signed on behalf of the board by:

Ian Wilson
 Ian Wilson
 Director

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. GENERAL INFORMATION

SurfControl (China) Limited is a Company limited by shares, incorporated in the United Kingdom. It has its registered office at 420 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT, England.

The principal activity of the Company during the year was as a holding Company for SurfControl Network Security Technologies (Beijing) Co., Limited ("Beijing SurfControl") its wholly owned subsidiary undertaking, which was closed on 29 December 2017. The Company is dormant with effect from 29 December 2017.

2. ACCOUNTING POLICIES

(a) Statement of compliance

The individual financial statements of SurfControl (China) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

(b) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The Company has availed of the exemption in FRS 102 Section 33.1A, which exempts subsidiary undertakings from the requirement to give details of transactions with group entities where 100% of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiary undertaking's results are included. The accounting policies have been applied consistently unless otherwise stated.

(c) Taxation

Current tax is recognised based on tax rates and laws in effect during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more or a right to pay less tax in the future.

(d) Investments

Fixed asset investments, which wholly relate to the Company's investment in its subsidiary undertaking, are stated at cost less provision for impairment in value.

(e) Consolidated group financial statements

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. As such these financial statements present information about the Company as an individual undertaking rather than information about its group. Note 12 to the financial statements contains further information on the Company's parent.

(f) Going concern

As noted in the strategic report, the Company is dormant with effect from 29 December 2017.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018 (Continued)

2. ACCOUNTING POLICIES (Continued)

(g) Foreign currencies

The functional and presentation currency of the Company is US Dollars (USD), which is the currency of the Company's assets and liabilities. Accordingly amounts in the financial statements are denominated in US Dollars (USD).

(h) Exemptions

The Company has availed of the exemption in FRS 102, Section 1.12 (b) from the requirement to prepare cash flow statement, as its ultimate parent Company Raytheon Company prepares publicly available consolidated financial statement. Note 12 to the financial statements contains further information on the Company's parent. The shareholders have been notified in writing of the use of this exemption.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

No significant judgments or estimates have had to be made by management in preparing these financial statements.

4. EMPLOYEE INFORMATION

There were no employees of the Company (2017: nil). The Directors, who are employed by Forcepoint Group companies, did not receive any emoluments during the year for their services to the Company (2017: nil).

5. OPERATING PROFIT

In 2017, the Company's subsidiary SurfControl Network Security Technologies (Beijing) Co., Limited ("Beijing SurfControl") paid a return of capital on liquidation of US\$126k to SurfControl (China) Limited. The intercompany investment balance in SurfControl Network Security Technologies (Beijing) Co., Limited ("Beijing SurfControl") had previously been impaired to zero. The return of capital is therefore treated as a reversal of a previous impairment in the Profit and Loss.

SurfControl Network Security Technologies (Beijing) Co., Limited ("Beijing SurfControl") was closed on 29 December 2017.

Auditors remuneration has been paid by the Company's parent. The Company has no employees and the Directors received no remuneration.

6. EXCEPTIONAL GAIN: WRITE OFF OF INTERCOMPANY BALANCE PAYABLE

In 2017, the Company recognised an exceptional gain of US\$1,773k related to the write off of a balance payable to its parent Company.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018 (Continued)

7. TAX ON PROFIT

	2018 US\$	2017 US\$
UK corporation tax:		
UK Corporation Tax on profit for the year	-	-
Tax on profit	-	-
	2018 US\$	2017 US\$
Profit before taxation	-	1,899,004
Profit before taxation multiplied by the standard tax rate of 19.00% (2017: 19.25%)	-	365,558
Effect of:		
Non taxable gain	-	(365,558)
Tax on profit	-	-

(i) Factors affecting future tax charge

The effective tax rate for the current year is lower than the prior year due to changes in the UK Corporation Tax Rate which decreased from 19.25% to 19% from 1 April 2018.

Changes to the UK Corporation tax rates were substantially enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to 17% from 1 April 2020.

8. INVESTMENT

	2018 US\$'000	2017 US\$'000
<i>Investment in subsidiary undertaking</i>		
Cost:		
At 1 January 2018	-	1,210
Disposal	-	(1,210)
and 31 December 2018	-	-
Impairment losses:		
At 1 January 2018	-	(1,210)
Disposal	-	1,210
and 31 December 2018	-	-
Net book value at 31 December 2018 and at 31 December 2017	-	-

The Company's single subsidiary undertaking was SurfControl Network Security Technologies (Beijing) Co., Limited, a Company registered in the Peoples' Republic of China engaged in the internet security market. The Company held 100% of the share capital of the subsidiary. SurfControl Network Security Technologies (Beijing) Co., Limited was liquidated on 29 December 2017. At 31 December 2018, the Company did not have any investments.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018 (Continued)

9. EQUITY SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted issued and fully paid</i>
	<i>31 December 2018 US\$'000</i>	<i>31 December 2017 US\$'000</i>	<i>31 December 2018 US\$'000</i>
Ordinary shares of £1 each	-	-	-

The authorised share capital is denominated in UK sterling and consists of 100 £1 ordinary shares (2017: £100). The issued share capital of the Company at 31 December 2018 in UK sterling was £2 (31 December 2017: £2). The Company's share capital has been translated into US\$ on a cumulative basis at exchange rates prevailing as and when capital flows occur.

10. RESERVES AND SHAREHOLDERS' FUNDS

	<i>2018 Profit and loss account US\$'000</i>	<i>2017 Profit and loss account US\$'000</i>
As at 1 January 2018	-	(1,899)
Retained profit for the period	-	1,899
As at 31 December 2018	-	-

11. OTHER FINANCIAL COMMITMENTS

The Company had no financial commitments in respect to non-cancellable operating leases or capital commitments in either period.

12. RELATED PARTY TRANSACTIONS

The Company has availed of the exemption in FRS Section 33.1A, which exempts subsidiary undertakings from the requirements to give details of transactions with group entities, where 100% of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiary undertaking's results are included.

13. ULTIMATE PARENT COMPANY

The ultimate parent Company and ultimate controlling party is Raytheon Company, a Company incorporated in the state of Delaware, United States of America. Copies of its consolidated financial statements are available to the public from Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451.

SURFCONTROL (CHINA) LIMITED
COMPANY REGISTRATION NUMBER 3165006

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018 (Continued)

14. EVENTS SINCE THE BALANCE SHEET DATE

There have been no significant events post year end.

15. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved and authorised for issue the financial statements in respect of the financial year ended 31 December 2018 on 06 September 2019.